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Producers 88 (4-89) — Pald Up With 640 Acres Pooling Provision

PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this <u>22nd</u> day of <u>September</u>, <u>2010</u>, between <u>DONALD L. SHANNON AND NANCY J. SHANNON, HUSBAND AND WIFE</u>, 1713 <u>Anglers Ptz. Grapevine Tx 76051</u> as Lessor, and <u>CHESAPEAKE EXPLORATION</u>, <u>L.L.C., an Oklahoma limited liability company</u>, whose address is <u>P.O. Box 18496</u>, <u>Oklahoma City</u>, <u>Oklahoma 73154-0496</u> as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

0.303 acres, more or less, situated in the Samuel Freeman Survey, A-526, and being Lot 39, of Shorecrest Acres Subdivision, an addition to the City of Grapevine, Tarrant County, Texas, according to the map or plat thereof recorded in Volume 388-L, Page 81, Plat Records, Tarrant County Texas.

in the County of TARRANT, State of TEXAS, containing 0.303 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes hellum, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus. Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less. more or less

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty-five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field or if there is no such price then prevailing in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty-five percent (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of advancem taxes and production, severance, or other exists taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field, then in the nearest field in which there is such a prevailing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder, an

amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in <u>at lessor's address above</u> or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as

or by check or by draft and such payments or tenders to Lessor or bit depository by deposit in the US Mells in a stamped envicipe addressed to the depository of the Lessor at the lest address known to Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository against to receive payments.

5. Except as provided for in Paragraph 3, above, if Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as deposition against to receive payments.

5. Except as provided for in Paragraph 3, above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hote") on the lessed premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a tevision of unit bouncaines pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lesses is not otherwise being maintained in force shall nevertheless remain in torce if Lessee commences operations for recoving an existing well or for drilling an additional well or for otherwise being maintained in force shall nevertheless remain in torce if Lessee commences operations are prosecuted with no cessation of or from the market the tenses in not christing an additional well or within 60 days after such cassassion of all production. If at the end of the primary term, or at any time thereafter, this lesses is not christing an additional well or within 60 days after such cassassion of an interest or producing in the production or within 60 days after such cassassion of an interest or producing in paying quantities are the lesses and interest in the production or of bit of got consecutive days, and if any such operations are prosecuted with no cessation of more than 50 consecutive days, and if any such operations are production or of bit of producing in paying quantities producing and producing any paying quantities are t

- 8. The interest of either Lessor or Lessee herounder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their expective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the right or enlaring the obligations of Lessee herounder and no change in ownership ability between the control of the co
- are so prevented, delayed or interrupted.
- are so prevented, detayed or interrupted.

 12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

 13. No literation shall be initiated by Lessor with respect to any breach or default by Lesson best local after Least 90 days offer Lesson has all the conditions.

- specified in the offer.

 13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

 14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

 15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lesser hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

 18. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other
- other operations.
- 17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease
- 18. Lessor agrees to execute, without payment of additional compensation, any and all documents required to obtain approval from any and all federal, state, county or municipal/local government entities to conduct the operations contemplated by this Lease, including, but not limited to, distance waivers, consents, easements prohibiting construction of improvements within certain distances, and petitions of support.
 - 19. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may Vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessoe has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as

LESSOR (WHETHER ONE OR MORE)

ACKNOWLEDGMENT

STATE OF TEXAS COUNTY OF TARRANT

This instrument was acknowledged before me on the Donald L. Shannon

day of <u>polecyloser</u> 2010 by J. Shannon